

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Executive Office for Asset Forfeiture's
Annual Reporting of Fiscal Year 2001
Drug Control Funds**

OIG-02-035

January 28, 2002



Office of Inspector General

The Department of the Treasury

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Executive Office for Asset Forfeiture's Annual Reporting of FY 2001 Drug Control Funds

Abbreviations

EOAF	Executive Office for Asset Forfeiture
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

*The Department of the Treasury
Office of Inspector General*

January 28, 2002

Raymond M. Dineen
Director
Executive Office of Asset Forfeiture

We have reviewed the assertions in Section b of the accompanying Executive Office for Asset Forfeiture's (EOAF) Annual Reporting of FY 2001 Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions in Section b of the accompanying Submission. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Annual Accounting of Drug Control Funds"* (Circular), dated December 17, 1999, and is the responsibility of EOAF's management.

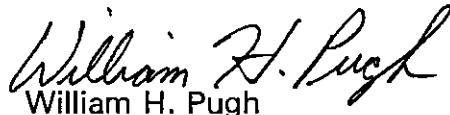
Based on our reviews, nothing came to our attention that caused us to believe that the assertions included in Section b of the accompanying Submission are not presented in all material respects based on the requirements set forth in the Circular.

This report is intended solely for the information and use of the management of EOAF, the Department of the Treasury, the

ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Your staffs have reviewed our report, and have no comments. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Tom Moschetto, Director, Financial Management Audits, at (202) 927-5074. We appreciate the cooperation and the courtesies extended to our staff during the course of our review.



William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits
January 9, 2002

Financial Management Audits Division

Thomas Moschetto, Director
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The Department of the Treasury

Office of Accounting and Internal Control
Office of Budget

Executive Office of Asset Forfeiture

Director
Assistant Director For Financial Management /
Chief Financial Officer

Office of Management and Budget

OIG Budget Examiner



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JAN 07 2002

MEMORANDUM FOR JAMES LINGEBACH
ACTING DEPUTY CHIEF FINANCIAL OFFICER

FROM: ERIC E. HAMPL *Eric E. Hampl*
ASSISTANT DIRECTOR FOR FINANCIAL MANAGEMENT/CFO

SUBJECT: REVISED FY 2001 DRUG CONTROL FUNDS

After preliminary review by the Executive Office for Asset Forfeiture and the Office of Inspector General, we have slightly revised our figures for the Annual Reporting of FY 2001 Drug Control Funds. Our numbers have been revised to reflect our actual obligations for FY 2001 in lieu of an estimated number which we were using as a place holder in early November 2001.

If further information is required, please contact me on 202-622-2568.

Attachment

cc: Joe McAndrew (Office of Accounting and Internal Control)
Mike Fitzgerald (Office of Inspector General)

**TREASURY FORFEITURE FUND
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS**

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2001 Drug Control Obligations

Drug Resources by Goal	
Goal 2	\$168,217
Goal 4	<u>585</u>
Total	\$168,802
Drug Resources by Function	
Interdiction	\$ 585
Investigations	105,273
State and Local Assistance	<u>62,944</u>
Total	\$168,802
Drug Resources by Decision Unit	
Permanent Indefinite Authority	\$168,802

(1) Drug Methodology

Each Treasury law enforcement bureau (including the U.S. Coast Guard) submits to the Forfeiture Fund a percentage of expenses that they project to be drug related for the fiscal year. A cumulative weighted average is then calculated and applied to the Fund's financial plan for that year. For FY 2001, a weighted average of 67 percent of resources expended was calculated and is reflected in the above figures.

(2) Methodology Modifications

None

(3) Material Weaknesses of Other Findings

None

(4) Reprogrammings or Transfers

None

(5) Other Disclosures

The information reflects reliance upon participating bureaus estimates of drug related percentages of effort in case investigations.

b. Assertions

(1) Drug Methodology

Although EOAF relies on the law enforcement bureaus to provide drug-related case percentages processed by their organization during the fiscal year, EOAF asserts that the drug methodology used to calculate obligations of FY 2001 budgetary resources is reasonable and accurate.

(a) Data

Participating bureaus are requested to provide their professional estimate of drug-related cases processed by their organization during the fiscal year. While there are case management systems in these bureaus, there are no specific drug-related database statistics available for accounting costs comparison. This situation is complicated by the cross-application of case requirements. For example, a drug-related case may include fraud, money laundering, firearms and explosives violations, and smuggling. As such, this type of case is not simply a drug-related case.

Data is not available in a case accounting relationship. While case data are captured and cost data are captured by the bureaus, case-cost data is not collected as a regular part of accounting for drug-related costs. Until such time as case cost elements are identified specifically with the case management activity, the Executive Office for Asset Forfeiture must rely on bureau estimates.

(b) Other estimation Methods

None.

(c) Completeness

The Forfeiture Fund's Drug Control budget only has one component, estimated share of drug-related activities. Other functions of the Fund are outside the drug control arena and are reported elsewhere as financial fraud, credit card fraud, money laundering, currency reporting violations and smuggling.

(d) Financial Systems

The Forfeiture Fund utilizes the Customs Asset Information Management System (AIMS) as the accounting system of record. Customs is the executive agent for the Fund which relies upon several of the Customs systems for information and processing.

(2) Application of Methodology

The Treasury Forfeiture Fund determines end of year obligations and expenses of operating the Fund for a given fiscal year. These end of year figures are obtained in conjunction with reports and closeout activities of the Customs Service, Departmental Offices and participating bureaus. This activity provides the cost basis of Fund operations. The Bureaus provide the drug-related percentage of their activities for the year. This activity enables the Fund to apply drug-related percentages to bureau reimbursable operations funding. The Coast Guard funding is applied at 100 percent because it applies to interdiction of vessels at sea. The other funding is applied at the adjusted percentage received from the bureaus.

EOAF asserts that the methodology disclosed above was the actual methodology used to generate the Table of FY 2001 Drug Control Obligations above.

(3) Financial Plan – Including Reprogramming or Transfers

EOAF asserts that the data presented is associated with obligations against its financial plan for FY 2001. EOAF made no transfers or reprogrammings affecting drug-related resources in FY 2001.